ANNUAL REPORT 1969

HOME OIL COMPANY LIMITED

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Contents

Annual General Meeting

The annual general meeting of shareholders will be held at 11:00 a.m. April 23, 1970 at the head office of the Company, Calgary, Alberta.

The Company publishes a book entitled "Financial & Operating Information for the Use of Security Analysts." This book is available to any shareholder who directs a request to the Public Relations Department.

HOME OIL COMPANY LIMITED

TO THE SHAREHOLDERS

OPERATIONS

Net earnings from operations for the first nine months of 1969 were $3,729,000 or 55 cents per share as compared with $3,241,000 or 63 cents per share in 1968. Net flow of funds from operations was $9,316,000 or $1.37 per share compared with $8,346,000 or $1.63 in 1968. Lower per share earnings and cash flow in 1969 are due in part to the issuance of additional Class A shares late in 1968 and early in 1969.

Crude oil and natural gas liquids production increased 3.1% to 15,952 barrels per day from 15,469 barrels per day in the first nine months of 1968. Sales of natural gas amounted to 65.7 million cubic feet per day as compared with 62.0 million cubic feet per day in 1968. Sulphur sales of 26,703 long tons represented a decrease of 310 long tons from the amount sold during the same period of 1968.

FINANCING

On July 15, 1969 the Company announced it had completed negotiations with a group of West German banks for a revolving bank credit in the amount of 100,000,000 Deutschmarks. On October 7, 1969, following the West German election and the freeing of the Deutschmark from its previous fixed exchange rate, the loan was taken down and converted into the equivalent of approximately $28,750,000 (Can.). The loan bears interest at 3½% above the German Bundesbank rate (currently 6%) and expires in September, 1973.

NATURAL GAS DEVELOPMENTS

United Kingdom—Following lengthy negotiations Home's United Kingdom subsidiary announced the signing of a gas sales agreement with The Gas Council with respect to its 50% interest in the Lockton reservoir. It is envisaged that total deliveries from the field, after an initial build-up period, will average around 75 million cubic feet of gas daily. The contract price is approximately 27c per thousand cubic feet for daily contract quantities, and 22c per thousand cubic feet in excess of the minimum contract quantities. The gas plant will have a capacity of 100 million cubic feet per day with costs to be shared equally by Home and The Gas Council. Further exploration and development in partnership with Gas Council (Exploration) Limited and BP Petroleum Development Limited is planned on the 900,000 acres in Yorkshire in which Home has a 50% interest.

Alberta—During 1970 the Company will be delivering gas from several fields which were not previously on production. These new sales will approximate 17 million cubic feet per day. The gas will be obtained from holdings within the Marten Hills South, Whitecourt, Brazeau, Mitsue, Boyle, and Bashaw areas.

EXPLORATION

Canada—During the third quarter of 1969 the Company participated in the drilling of nine wells in Western Canada, and discovered three gas wells, one oil well while two more are presently being tested for production. The remaining wells were dry and abandoned. The Company acquired varying interests in 609,792 gross acres in the Eagle Plains area of the Yukon Territories, a 50% interest in 898,431 acres in the Hudson's Bay play and a one-third interest in 36,638 acres in the Kelly Lake area of British Columbia.

Alaska—Drilling is continuing at Nora Federal #1 spudded in March of this year. The well is located approximately 50 miles south of the Prudhoe Bay field. Present plans call for the drilling of further exploratory wells on the Alaska North Slope.

At the Alaska Land Sale held in September, 1969 the Company participated to the extent of 25% in the acquisition of Tract #73 located in Block 2-9N-15E UPM. Home's share of the purchase was $11,011,406 (Can.). Plans have not as yet been formulated for drilling on this Tract. The Company is also acquiring a 2% interest in the Trans Alaska Pipeline System. Crude movements through the line are scheduled for early 1972.

INVESTMENTS

Home continues to hold 1,300,000 common shares of Trans-Canada Pipe Lines Limited and in addition owns 402,936 common shares and 53,440 $2.80 Cumulative Convertible Preferred shares of Atlantic Richfield Company.

The Company now owns 526,875 common shares of Calgary Power Ltd. and in order to finance its current exploration and development program intends to dispose of a substantial portion of this holding.

R. A. Brown Jr.

President

Calgary, Alberta
October 29, 1969

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HOME OIL COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

For the Nine Months ended September 30, 1969

	1969	1968
REVENUE		
Operating revenue	$16,468,000	$15,938,000
Interest and dividends	3,451,000	2,661,000
	19,919,000	18,599,000
EXPENSE		
Operating	2,559,000	2,550,000
General and administrative	3,052,000	2,756,000
Depletion	2,720,000	2,266,000
Depreciation	1,354,000	1,121,000
Interest and expense on long term debt	3,533,000	4,419,000
Other interest	1,505,000	620,000
	14,723,000	13,732,000
Net earnings before deferred income taxes	5,196,000	4,867,000
DEFERRED INCOME TAXES	1,467,000	1,626,000
NET EARNINGS before extraordinary item	3,729,000	3,241,000
EXTRAORDINARY ITEM		
Gains on sale of investments — net	—	2,634,000
NET EARNINGS	$ 3,729,000	$ 5,875,000
EARNINGS PER SHARE		
Net earnings before extraordinary item	$ 0.55	$ 0.63
Extraordinary item	—	0.51
Net earnings	$ 0.55	$ 1.14

HOME OIL COMPANY LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the Nine Months ended September 30, 1969

	1969	1968
FUNDS WERE OBTAINED FROM		
Net earnings	$ 3,729,000	$ 3,241,000
Add charges to earnings not requiring funds including depreciation, depletion and deferred income taxes	5,587,000	5,105,000
Net flow of funds from operations	9,316,000	8,346,000
Sale of investments	—	13,319,000
Issuance of capital stock	38,975,000	1,026,000
Long term borrowings — net	3,006,000	125,000
	$51,297,000	$22,816,000
FUNDS WERE USED FOR		
Property, plant and equipment	$29,987,000	$11,039,000
Repayment of long term debt	6,024,000	6,514,000
Dividends (Note)	3,501,000	1,536,000
Investments		
Atlantic Richfield Company	7,654,000	—
Trans-Canada Pipe Lines Limited	338,000	8,074,000
Other investments — net	15,000	20,000
	$47,519,000	27,183,000
Increase (decrease) in working capital	3,778,000	(4,367,000)
	$51,297,000	$22,816,000

NOTE: Dividends appear higher in 1969 than in 1968 due to a change in the timing of the declaration of payment of such dividends. On April 29, 1969 the Company declared an annual dividend of 50 cents per share payable at the rate of 25 cents on July 1, 1969 and January 1, 1970. In 1968, dividends of 30 cents and 20 cents were declared on April 27 and November 29 respectively, payable at the rate of 17½ cents on July 1 and 32½ cents on January 1.

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FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL

(Dollars in thousands except per share amounts)

	Nine Months 1969	Nine Months 1968
Net earnings before extraordinary item	$ 3,729	$ 3,241
Per share	$ .55	$ .63
Extraordinary item	$ –	$ 2,634
Per share	$ –	$ .51
Net flow of funds from operations	$ 9,316	$ 8,346
Per share	$ 1.37	$ 1.63
Balance Sheet Items at September 30		
Working capital (deficiency)	$ (38,538)	$ (7,152)
Investments in other companies	$101,422	$ 61,514
Property, plant and equipment – net	$146,387	$114,319
Long term debt (less current maturities)	$ 61,072	$ 84,687
Deferred income taxes	$ 22,268	$ 20,027
Capital stock	$ 93,733	$ 36,103
Retained earnings	$ 33,256	$ 29,446
Other assets and deferred charges	$ 1,058	$ 1,582

OPERATING

	1969	1968
Production and Sales		
Crude oil and natural gas liquids production – barrels per day	15,952	15,469
Natural gas sales – thousands of cubic feet per day	65,723	62,027
Sulphur sales – long tons	26,703	27,013
Daily Average Pipe Line Gatherings		
Cremona Pipe Line Division	37,705	38,556
Federated Pipe Lines Ltd.	158,869	157,820

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HOME OIL COMPANY LIMITED

INTERIM REPORT to the SHAREHOLDERS

For the Nine Months ended September 30, 1969

CALGARY, ALBERTA **OCTOBER 29, 1969**

HOME OIL COMPANY LIMITED

TO THE SHAREHOLDERS

Net earnings for the first half of 1969 amounted to $2,256,000 or 34 cents per share as compared with $2,312,000 or 45 cents per share in 1968. In addition, in 1968 there was an extraordinary item of $352,000 or 7 cents per share representing a gain on sale of certain investments. Net flow of funds from operations was $6,043,000 or 90 cents per share, practically unchanged from the $6,062,000 or $1.18 per share generated during the same period last year. Gross revenue from operations and investments was $12,977,000 for the first half of 1969 and this is 3.6% over the gross revenue of $12,526,000 for the first half of 1968.

Net earnings and cash flow were adversely affected by interest costs related to the investment in Atlantic Richfield Company while increased charges for depletion attributable to exploration expenditures in Alaska also reduced net earnings. The per share earnings and cash flow were lower as a result of the issuance of additional Class A shares. A total of 900,000 shares were issued early in 1969 for $39,000,000, and 1,005,605 shares were issued pursuant to the conversion of 5½% Convertible Subordinated Debentures late in 1968.

During the second quarter, the Company completed negotiations in Germany for a revolving bank credit of 100 million Deutschemarks, the equivalent of approximately $26,500,000. The credit is for a period of four years and does not involve shares or equity of the Company.

Crude oil and natural gas liquids production increased 3.0% to 16,199 barrels per day from 15,734 barrels per day in 1968. Natural gas sales have averaged 67.8 million cubic feet per day compared with 66.2 million cubic feet per day for the same period in 1968. Sulphur sales amounted to 18,828 long tons as compared with 17,923 long tons in the first half of 1968.

The Company continued its active exploration program in the second quarter in 1969, drilling a total of nine wells, of which one was a gas discovery in the Brazeau area. In the Quirk Creek gas field, approximately five miles west of Turner Valley, the Company spudded a well in June which is currently drilling. Another exploration well will be spudded shortly in the Whitecourt area of Alberta.

In Alaska, the Nora Federal No. 1 well spudded in March continues drilling. The Company has also applied for drilling licenses for two additional wells on the North Slope. One will be drilled on a structure indicated by seismic within the Sagavan Development Contract area, on lands farmed out to Home by Atlantic Richfield. The second well will be located on a State of Alaska lease owned 100% by the Company in Block 2 or 5, Township 9N, Range 10E, UPM.

For the purposes of clarification, the recent law suit filed by Humble Oil & Refining Company against Atlantic Richfield Company concerning North Slope lands does not in any way affect the 448,000 gross acres farmed out to Home by Atlantic Richfield.

In the United Kingdom, a contract has been let to Power Gas Corp. for the design of a natural gas processing plant in the Pickering area to handle gas from the Company's Lockton field. Negotiations are proceeding for sale of this gas to the Gas Council. Two offshore wells drilled by the Company in the North Sea were dry and abandoned.

Calgary, Alberta
August 11, 1969

R. A. Brown Jr.
President

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HOME OIL COMPANY LIMITED and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months ended June 30, 1969

REVENUE	1969	1968
Operating revenue	$11,085,000	$10,756,000
Interest and dividends	1,892.000	1,770,000
	12,977,000	12,526,000
EXPENSE		
Operating	1,729,000	1,717,000
General and adminstrative	1,980,000	1,787,000
Depletion	1,814,000	1,532,000
Depreciation	897,000	748,000
Interest and expense on long term debt	2,293,000	2,944,000
Other interest	961,000	338,000
	9,674,000	9,066,000
Net earnings before deferred income taxes	3,303,000	3,460,000
DEFERRED INCOME TAXES	1,047,000	1,148,000
NET EARNINGS before extraordinary item	2,256,000	2,312,000
EXTRAORDINARY ITEM		
Gains on sale of investments-net	–	352,000
NET EARNINGS	$ 2,256,000	$ 2,664,000
EARNINGS PER SHARE		
Net earnings before extraordinary item	$ 0.34	$ 0.45
Extraordinary item	–	0.07
Net earnings	$ 0.34	$ 0.52

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HOME OIL COMPANY LIMITED

Directors

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the Six Months ended June 30, 1969

FUNDS WERE OBTAINED FROM	1969	1968
Net earnings	$ 2,256,000	$ 2,664,000
Add charges to earnings not requiring funds including depreciation, depletion and deferred income taxes	3,787,000	3,398,000
Net flow of funds from operations	6,043,000	6,062,000
Issuance of capital stock	38,990,000	662,000
Long term borrowings-net	3,006,000	125,000
	$48,039,000	$ 6,849,000
FUNDS WERE USED FOR		
Property, plant and equipment	$13,569,000	$ 4,463,000
Repayment of long term debt	4,261,000	3,161,000
Dividends	3,501,000	1,534,000
Investments		–
Atlantic Richfield Company	4,715,000	–
Trans-Canada Pipe Lines Limited	338,000	7,508,000
Other investments—net	141,000	(1,591,000)
	26,525,000	15,075,000
Increase (decrease) in working capital	21,514,000	(8,226,000)
	$48,039,000	$ 6,849,000

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FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL

(Dollars in thousands except per share amounts)

	Six Months 1969	1968
Net earnings before extraordinary item	$ 2,256	$ 2,312
Per share	$ .34	$ .45
Extraordinary item	$ —	$ 352
Per share	$ —	$ .07
Net flow of funds from operations	$ 6,043	$ 6,062
Per share	$ .90	$ 1.18
Balance Sheet Items at June 30		
Working capital (deficiency)	$(20,802)	$(11,009)
Investments in other companies	$ 98,611	$ 70,123
Property, plant and equipment — net	$131,421	$108,733
Long term debt (less current maturities)	$ 62,837	$ 88,039
Deferred income taxes	$ 21,848	$ 19,549
Capital stock	$ 93,748	$ 35,753
Retained earnings	$ 31,783	$ 26,238
Other assets and deferred charges	$ 986	$ 1,732

OPERATING

	1969	1968
Production and Sales		
Crude oil and natural gas liquids production — barrels per day	16,199	15,734
Natural gas sales — thousands of cubic feet per day	67,780	66,237
Sulphur sales — long tons	18,828	17,923
Daily Average Pipe Line Gatherings		
Cremona Pipe Line Division	38,501	39,633
Federated Pipe Lines Ltd	154,431	158,083

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HOME OIL COMPANY LIMITED

INTERIM REPORT to the SHAREHOLDERS

For the First Half of 1969

CALGARY, ALBERTA AUGUST 11, 1969

Directors

*JAMES B. WEIR, O.B.E., E.D.
Montreal, Quebec
Chairman of the Board of the Company

*ROBERT A. BROWN, JR., D.U.C.
Calgary, Alberta
President and Managing Director of the Company

*ROBERT W. CAMPBELL
Calgary, Alberta
Executive Vice-President and General Manager of Company

THE RT. HON. THE EARL BEATTY, D.S.C.
London, England
Chairman of the Board of Home Oil of Canada Limited

MARSH A. COOPER
Toronto, Ontario

E. FRED DAVIS
Los Angeles, California

*MERVYN A. DUTTON
Calgary, Alberta

PERCY M. FOX, D.C.L., D.Sc.F.
Montreal, Quebec

HAROLD J. HOWARD
Calgary, Alberta

WILLIAM F. JAMES, Ph.D.
Toronto, Ontario

HARRY I. PRICE
Toronto, Ontario

JOHN B. SANGSTER
Regina, Saskatchewan

RENAULT ST-LAURENT, Q.C., LL.D.
Quebec City, Quebec

*G. HARRY THOMPSON, M.C., D.U.C.
Calgary, Alberta

ALVIN J. WALKER
Montreal, Quebec

RALPH F. WILL
Calgary, Alberta

***Member Executive Committee**

Officers

J. B. Weir, *Chairman of the Board*

R. A. Brown, Jr., *President and Managing Director*

R. W. Campbell, *Executive Vice-President and General Manager*

G. J. Blundun, *Vice-President, Exploration*

R. B. Coleman, *Vice-President, Secretary and General Counsel*

I. M. Drum, *Vice-President, Special Projects*

M. P. Paulson, *Vice-President, Production and Pipelines*

R. F. Phillips, *Vice-President, Administration*

W. T. Wilkinson, *Vice-President, Marketing*

B. B. Rombough, *Treasurer*

J. P. Crone, *Comptroller*

F. G. Mitchell, *Assistant Secretary*

Head Office
304 Sixth Avenue S.W.
Calgary 1, Alberta

Auditors
Riddell, Stead & Co.

Solicitors
Macleod, Dixon, Burns, Love, Leitch, Lomas, Charters & Montgomery, Calgary, Alberta
Dunnington, Bartholow & Miller, New York, N.Y.

Bankers
Canadian Imperial Bank of Commerce
The Chase Manhattan Bank

Transfer Agents
Crown Trust Company
The Chase Manhattan Bank

Registrars
Crown Trust Company
The Canadian Bank of Commerce Trust Company

Listings
Toronto Stock Exchange
Vancouver Stock Exchange
Calgary Stock Exchange
Montreal Stock Exchange
American Stock Exchange
Pacific Coast Stock Exchange

1969 At A Glance

	1969	1968
Gross Revenue	$ 27,724,000	$ 25,405,000
Net Flow of Funds from Operations	$ 12,390,000	$ 11,610,000
Per Share	$ 1.81	$ 2.16
Net Earnings (Net Earnings Before Extraordinary Item)	$ 5,018,000	$ 4,453,000
Per Share	$ .73	$ .83
Number of Shareholders	12,600	13,200
Average Shares Outstanding	6,852,093	5,363,103
Working Capital (Deficiency)	$(18,956,000)	$(42,315,000)
Exploration Expenditures	$ 31,564,000	$ 15,282,000
Development Expenditures	$ 4,513,000	$ 1,883,000
Production and Sales		
Crude Oil Production – barrels per day	13,898	13,118
Natural Gas Liquids Production – barrels per day	2,768	2,639
Natural Gas Sales – thousands cubic feet per day	69,945	64,641
Pipeline Gatherings		
Cremona Pipe Line Division – barrels per day	38,267	39,268
Federated Pipe Lines Ltd. – barrels per day	160,408	156,001

To The Shareholders

On behalf of the Board of Directors, I am pleased to present the forty-first Annual Report of Home Oil Company Limited.

Financial

Net earnings of Home Oil in 1969, before extraordinary items, increased over 1968 but on a per share basis were lower due to the greater number of shares outstanding. Gross income for the year was the highest ever recorded by the Company. This however was offset by higher interest costs due to the Company's substantially increased investments, principally in Atlantic Richfield Company and in exploration and land acquisitions on the North Slope of Alaska.

Home Oil had gross revenue of $27,724,000 in 1969 compared with $25,405,000 in 1968, an increase of 9.1%. Net earnings, before extraordinary items, were $5,018,000 or $.73 per share compared with $4,453,000 or $.83 per share in 1968. Net earnings including an extraordinary net loss of $466,000 amounted to $4,552,000 or $.66 per share in 1969. The extraordinary loss in 1969 resulted from security transactions. In 1968 an extraordinary gain of $6,343,000 was made on security transactions. Per share earnings were lower in 1969 as the average number of shares outstanding increased from 5,363,103 in 1968 to 6,852,093 in 1969 as a result of the sale of additional Class A Shares and conversion of $20,000,000, 5½% Convertible Subordinated Debentures. Net cash flow from operations was $12,390,000 compared with $11,610,000 in 1968, an increase of 7%. Provision for deferred income taxes of $2,285,000 has been charged against current year earnings. As at December 31, 1969, the total deferred income taxes shown on the balance sheet amounted to $23,086,000.

In February 1969, the Company completed the sale in the United States of 900,000 Class A shares for a net consideration of $38,975,000. In October 1969, the Company took down a revolving line of credit of 100,000,000 Deutsche Marks from a group of West German banks. These funds were converted into approximately $28,750,000. Subsequent to the taking down of the loan, the Deutsche Mark was revalued and an exchange loss of $451,000 was charged against earnings in 1969. Interest is payable on the loan at 3½% above the German Bundesbank rate which has recently been increased from 6% to 7½%. The loan matures in September 1973 and may be repaid and reborrowed at any time prior to that date, at the option of the Company. An additional line of credit for the year 1970 has been negotiated with the Company's Canadian bankers.

Since the year end the Company disposed of 175,000 shares of Calgary Power Ltd. at $22.375 net per share, the proceeds being used to reduce bank indebtedness. Further sales of securities may be made to meet any additional financial requirements in excess of the line of credit.

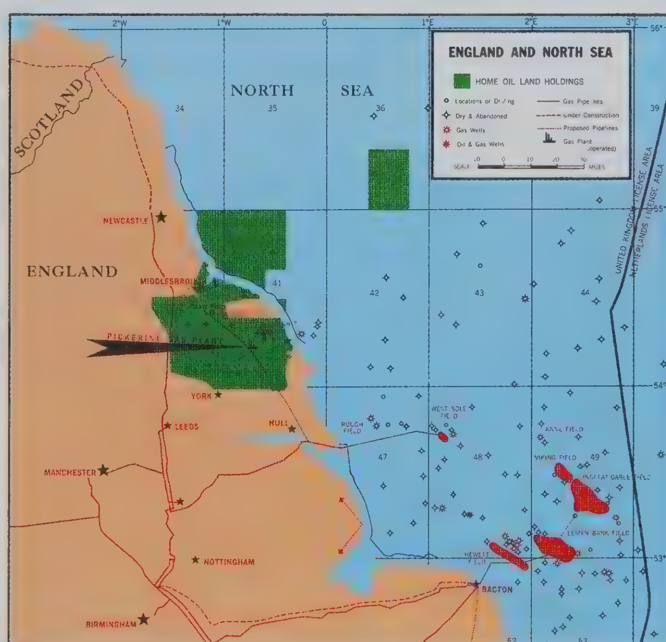
Exploration

Exploration expenditures of $31,564,000, including $11,011,000 to acquire a 25% interest in Tract 73 at the Alaska State land sale, were the highest in the Company's history. Primary areas of interest were the North Slope of Alaska and the gas prone areas of Alberta. Exploration activities were also carried out in Saskatchewan, Northeast British Columbia, and the United Kingdom.

The Company participated in the drilling of 23 exploratory wells of which 16 were in Alberta, three in Northeastern British Columbia, one in Saskatchewan, two in the North Sea and the Nora Federal No. 1 well on the Alaska North Slope. In Alberta the drilling program resulted in one oil well in the Ferrier area, and five gas wells in Okotoks, Whitecourt, Marten Hills and Brazeau areas. In addition, 24 exploratory wells were drilled on Company lands by others under various farmout arrangements, two of which discovered gas in two areas.

The Company had varying interests in the drilling of 21 development wells, of which five were oil wells, eleven were gas wells and five were dry and abandoned.

In Western Canada, geophysical operations were concentrated in the Whitecourt, Brazeau, Dunvegan, Gold Creek, Berland River, and Obed areas of Alberta, and the Liard River area of British Columbia, aimed principally at the discovery of natural gas.



A seismic crew was operated for several months in Yorkshire, England, in the search for structures similar to that at the Lockton gas field. It is planned to drill three exploratory wells in Yorkshire during 1970, including one located two miles west of our capped gas well at Ralph Cross. The Company also plans to drill

another development well in the Lockton gas field. Home and its associates completed their drilling commitments on two licences in the North Sea through the drilling of two wells, both of which were dry and abandoned. Further licences in the North Sea have been applied for.

In Alaska, the results of the 1969-70 drilling activities of major companies on the North Slope now indicate that earlier estimates of reserves must be raised substantially. The recently publicized report of the United States Oil Task Force stated that although precise projections were not available, North Slope reserves would amount to between 50 billion and 100 billion barrels and could easily support production of three million barrels per day by 1980.

Until recently the main concentration of effort has been in the Prudhoe Bay area. Indications now point to expansion of exploration in other directions. Home Oil has interests in 739,310 gross acres of exploratory lands which we feel are strategically located. The Arco Toolik Federal No. 3 well which was spudded in January 1970 and is now drilling, is located approximately one mile north of one parcel of Home acreage and six miles west of another. These leases comprise 12,800 acres and are 100% owned by Home Oil. Also, the Pan American Petroleum Corporation Kavik No. 1 well, completed as a shut-in gas well late last year, is reported as having an open flow potential of 54.5 million cubic feet of gas per day. As seen on the North Slope map, Home has land in close proximity to this well.

During the past winter the Company operated two seismic crews on the North Slope. At the date of this report our Nora Federal well was drilling at a depth below 17,000 feet. A second well on the Atlantic Richfield farmout lands, Bush Federal No. 1, was spudded in January, 1970 and is also planned as a deep test of another seismic structure. Under the terms of the farmout, the Company can earn a 50% interest in 313,000 acres and a 25% interest in another 137,000 acres. The terms of the farmout provide for the expenditure of $23,000,000 (U.S.) in a two stage program. We have completed our obligations under stage one involving expenditures of $11,000,000 (U.S.) as of year end. We also spent up to year end approximately $1,800,000 (U.S.) of the optional $12,000,000 (U.S.) expenditure involved in stage two. While not obligated, we must complete stage two to earn our interest.

Present plans call for the drilling of Tract 73 in the 1970-71 season. This tract is located two miles south of the nearest production in the Prudhoe Bay oil field.

During the year the Company's land interests amounted to 9,175,849 gross or 4,577,385 net acres. Significant land acquisitions during the year were 271,195 gross acres in Northeast British Columbia, 250,968 gross acres in the Grandview area of the Northwest Territories, 806,040 gross acres in the Bell River-Eagle Plains area of the Yukon Territory, 898,431 gross acres in Hudson's Bay, and 166,815 gross acres in Alberta.

Mining

Home participated with major mining companies in eight mining syndicates during 1969, in British Columbia, the Yukon, the Northwest Territories, Ontario and New Brunswick. It is proposed to continue the general mineral exploration in 1970, as well as to further explore some interesting prospects uncovered in the 1969 program.

Production and Processing

Crude oil production averaged 13,898 barrels per day, an increase of 6% over the 1968 average of 13,118 barrels per day.

Natural gas liquids production increased 5% to 2,768 barrels per day in 1969, compared to 2,639 barrels per day in 1968.

Natural gas sales increased 8% to 69.9 million cubic feet per day in 1969, compared to 64.6 million cubic feet per day in 1968. At year end, gas production was sold for the first time from the Marten Hills and Whitecourt plants.

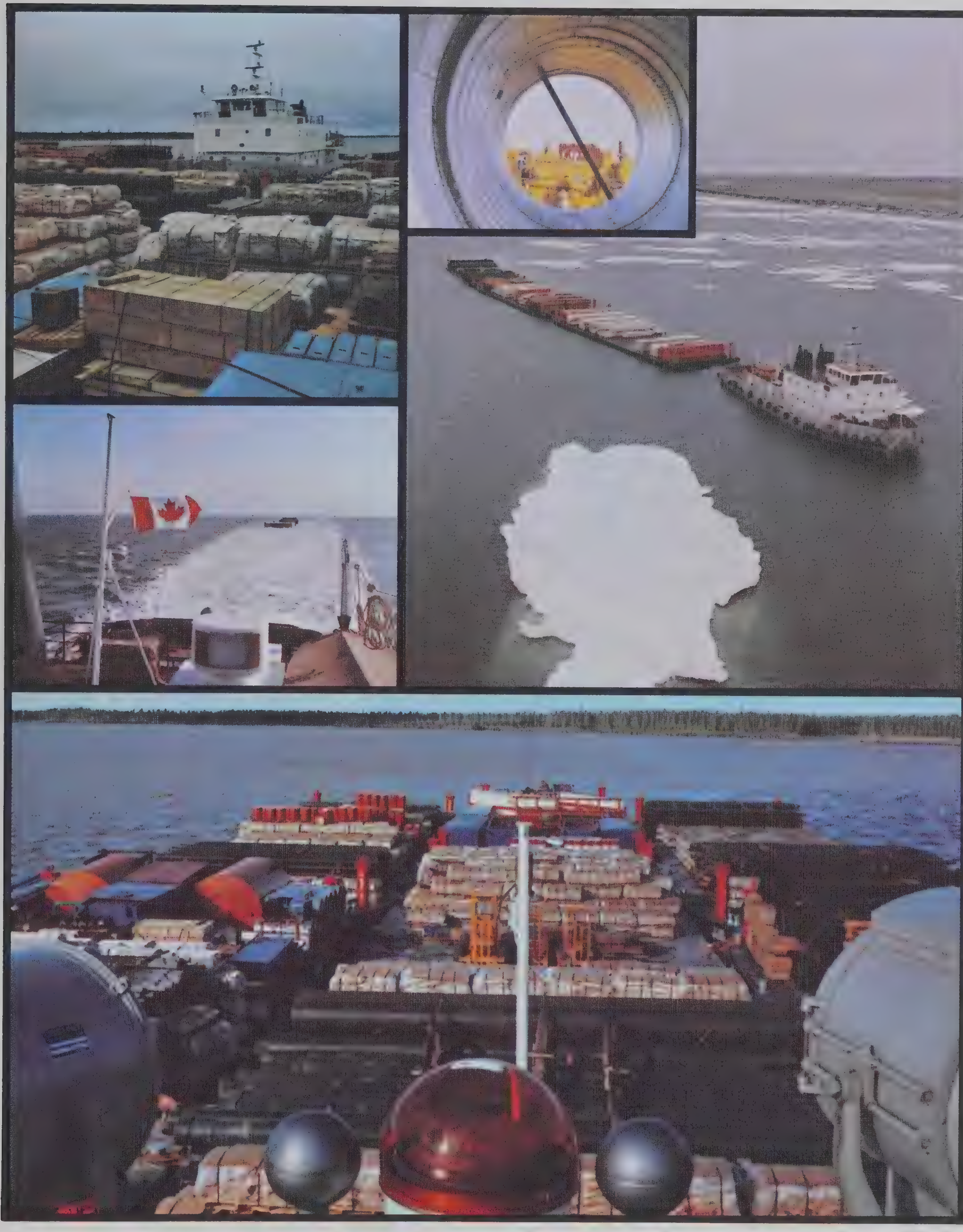
Pipelines

The Company's Cremona Pipe Line Division gatherings of crude oil, condensate, and butane decreased by 3% from 39,268 barrels per day in 1968 to 38,267 barrels per day in 1969.

Federated Pipe Lines Ltd., 50% owned by the Company, increased its throughput by 3% to an average of 160,408 barrels per day from 156,001 barrels in 1968.

As a result of the anticipated increase in demand for Alberta crude oil, a 90 mile – 16 inch looping program was undertaken by Federated late in 1969. The completion of this expansion will permit substantially increased deliveries to be made from the Swan Hills area, and raise the mainline capacity by 70,000 barrels per day to 267,000 barrels per day. Throughput in the month of February 1970 averaged 196,400 barrels per day.

Mitsue Pipe Lines Ltd., which the Company owned jointly with two other companies, was sold for a profit



in September of 1969 to Rainbow Pipe Line Company Ltd. for integration into the Rainbow system.

The Company has entered into a commitment to participate to the extent of 2% in the Trans Alaska Pipeline System to move crude oil from the North Slope to Valdez on the Gulf of Alaska. The initial cost of the project is presently estimated at $1,300,000,000 (U.S.). Completion is currently scheduled for mid 1972, with initial planned capacity of 500,000 barrels per day. The system is capable of being expanded to 2,000,000 barrels per day.

United Kingdom

The Company's United Kingdom subsidiary has completed an agreement with The Gas Council of the United Kingdom for the sale of natural gas from its Lockton discovery in Yorkshire where Home has a 50% working interest in 931,589 acres (subject to a royalty interest). A natural gas processing plant is now being constructed and is expected to be completed in time to serve a portion of the 1970-71 heating season. Initially, sales of 45,000,000 cubic feet per day are planned, escalating to an average of 80,000,000 cubic feet per day within four years. An unusual feature of the contract is that it gives the Gas Council the option to store and withdraw gas at high rates for peak shaving purposes concurrent with normal depletion. Storage and peak shaving operations could occur well before the field is depleted and would increase Home's income from the field. When fully operative, Lockton production will make an important contribution to the earnings and cash flow of the Company.

Reserves

The Company's proven reserves of natural gas and natural gas liquids increased during the year. Additions to crude oil and sulphur reserves were insufficient to offset current production. The Company's reserve life index at the 1969 production rate for crude oil is 27 years.

A schedule of the Company's reserves at January 1, 1970 may be found on page 16.

L.P.G. Marketing

A marked improvement was attained in the operating results of Union Petroleum Corporation, Home's wholly owned marketer of liquefied petroleum gas.

In the third quarter there was a definite strengthening of the price structure as a result of increased demand for Union's principal products. This was a sharp reversal from the over-supply and depressed price situation that prevailed throughout 1968 and the first half of 1969.

The year saw expansion in all phases of our L.P.G. marketing. The underground storage facilities for propane and butane of Hardisty Storage Ltd. (50% owned by Home) continued to expand and now have a capacity of 50,000,000 gallons. Union's tank car fleet which now numbers over 450 railway jumbo tank cars, transported 240,000,000 gallons of product in 1969, an increase of 9% over 1968. The outlook for this group of companies appears excellent and another satisfactory increase in earnings is anticipated for the current year.


ALBERTA-BRITISH COLUMBIA
SCALE IN MILES
LEGEND
HOME OIL LAND HOLDINGS
MAJOR OIL FIELDS
MAJOR GAS FIELDS
HARDISTY STORAGE PROJECT
OPERATED GAS PLANTS
OIL PIPELINES
OIL PIPELINES IN WHICH HOME HAS MAJOR INTERESTS
GAS PIPELINES
NON-OPERATED GAS PLANTS
NORTHWEST TERRITORIES
ALBERTA
SASKATCHEWAN
BRITISH COLUMBIA
U. S. A.
SIXTH MERIDIAN
FIFTH MERIDIAN
BISTCHO LAKE-STEEN RIVER
MEANDER RIVER
MEANDER WEST
RAINBOW LAKE
POCKETKNIFE
RED EYE
BEATTON RIVER
SCOT POINT
ROBERTSON CREEK
CAMERON RIVER
WOLVERINE
DOIG RIVER
NOTIKEWIN
OSBORNE RIVER
HUDSON HOPE
FORT ST. JOHN
DUNVEGAN
BURNT RIVER
FALHER
SPRINGBURN-RENO
RYCROFT
SADDLE HILLS
LYMBURN
GRANDE PRAIRIE
CROOKED CREEK
CAMPBELL CREEK
GOLD CREEK-BERLAND R.
MUSREAU LK.
SIMONETTE
GRANDE CACHE
WEST OBED
ATHABASCA TAR SANDS
RED EARTH
TROUT RIVER
UTIKUMA
CHRISTINA LAKE
MARTEN HILLS
SWAN HILLS
VIRGINIA HILLS
MORSE RIVER
CHISHOLM
FLATBUSH
AMISK LAKE
FEDERATED PIPELINE
(OPERATED)
WHITECOURT
FORT SASKATCHEWAN
EDMONTON
PEMBINA
CAMROSE
BASHAW
NEVIS
CREMONA PIPELINE
(OPERATED)
CALGARY
HANNA
DENHART
ENCHANT
HAYS
LETHBRIDGE
YELLOW LAKE S.
PINCHER CREEK NORTH
PINCHER CREEK
RED COULEE
MILK RIVER
MANYBERRIES
VANCOUVER
5W.6M.
5W.5M.
5W.4M.

Outlook

The demand for crude oil from the Province of Alberta in the early months of 1970 has been high, with 600,000 barrels daily exported into Districts I to IV of the United States. As a result, Home's production of crude oil and natural gas liquids has been approximately 21,000 barrels per day, compared with 16,768 per day during the early months of 1969.

Recently President Nixon ordered a cutback of oil imports from Canada to 395,000 barrels daily into Districts I to IV. This new restriction is retroactive to March 1 and applies to the remainder of 1970. While this is a substantial reduction from recent levels, it still represents a marked increase over the 1969 average of 358,000 barrels per day and an increase of 63,000 barrels per day over the levels previously agreed upon for 1970. Moreover, we anticipate this will be a temporary restriction and we are convinced that prospects for Canadian crude for the near future are exceedingly favourable.

The Oil Import Task Force which recently reported to President Nixon on its review of oil import policy, unanimously agreed that preferential treatment should exist for oil imported from the Western Hemisphere countries, particularly Canada and Mexico. The Task Force recommended that restrictions on Canadian oil, with the exception of the present tariff restriction, be lifted by July 1, 1972, provided that a mutually satisfactory energy agreement had been concluded by then between the U.S. and Canada, and further that the level of imports from Canada reach 950,000 barrels per day as early as 1973. The major portion of your Company's reserves are located in high-reserve pools in Alberta and the Company therefore is in an excellent position to benefit from any increased demand.

The rapidly expanding United States markets for natural gas assures Canadian producers of an increasingly profitable outlet for all the surplus gas which can be found. We intend, in 1970, to carry out one of our largest exploration programs in Canada, with a substantial portion of the program being directed to the search for gas reservoirs, particularly in the foothills area of Alberta. Home's gas production is increasing and in the early months of 1970 approached 100 million cubic feet per day.

Commencing late in 1968 your Company began acquiring shares of Atlantic Richfield Company and now holds the equivalent of 455,000 common shares acquired at a cost of $52,807,000. The purpose of this investment was to participate in the oil developments on the North Slope of Alaska through the direct acquisition of shares of a company which had an interest in the discovery wells as well as a substantial land position in the surrounding acreage. Information which is gradually being revealed concerning the North Slope confirms the view that Atlantic Richfield Company holds a large portion of the huge reserves discovered. As stated previously in this report the U.S. Oil Task Force has estimated that the reserves on the North Slope will amount to between 50 and 100 billion barrels.

The market value of our investments has decreased substantially, as the past several months have witnessed a severe decline in security markets. This is undoubtedly due in part to general monetary conditions. The time factor required in moving North Slope crude to markets has further adversely affected companies operating there, such as Atlantic Richfield. Some of the proposals in the White Paper on Tax Reform issued by the Canadian government have also had a further adverse effect on the market price for shares of Trans-Canada Pipe Lines Limited and Calgary Power Ltd. The market price for shares of Home Oil has likewise suffered a sharp decline. In spite of the substantial decrease in their current market value our investments still exceed our total bank borrowings, including our German bank loans.

Your Company is alarmed about the many aspects of the White Paper on Tax Reform. Far from in fact being simply a blueprint for the reformation of the Canadian tax system, in our opinion it could have serious effects on our free enterprise economy. Even if the proposals were sound for a fully-developed economy, they are certainly not in the best interests of a young developing country such as Canada. With respect to our particular industry, they will stultify investment at a time when Canada appears poised on the brink of vast new developments for our oil and natural gas resources. Your Company therefore is submitting a brief to the Standing Committee on Finance, Trade and Economic Affairs to express our vigorous opposition to many of the proposals. A copy of this brief may be obtained by writing to the Secretary of the Company.

We must commend the Canadian government for having appointed an oil industry advisory committee to assist in formulating policies to expand the market for Canadian crude oil. Such a committee, representing a broad cross section of the industry, should be invaluable both to the Government and to industry.

In 1969, Mr. James B. Weir of Montreal was elected Chairman of the Board and a member of the Executive Committee succeeding the late John W. Moyer. Mr. Weir's long association with the Company began as a Director with Federated Petroleums, Ltd., which amalgamated with Home Oil Company Limited in 1955.

I wish to commend all employees for their loyalty and effort this past year.

Submitted on behalf of the Board of Directors,

R. A. Brown Jr.

President and Managing Director

Calgary, Alberta
March 10, 1970

Auditors' Report

TO THE SHAREHOLDERS
HOME OIL COMPANY LIMITED

We have examined the consolidated balance sheet of Home Oil Company Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
February 16, 1970

RIDDELL, STEAD & CO.
Chartered Accountants.

Consolidated Statement of Source and Use of Funds

For the year ended December 31, 1969

	1969	1968
FUNDS WERE OBTAINED FROM		
Net earnings before extraordinary item	$ 5,018,000	$ 4,453,000
Add charges to earnings not requiring funds including depreciation, depletion and deferred income taxes	7,372,000	7,157,000
Net flow of funds from operations	12,390,000	11,610,000
Sale of investments	858,000	19,285,000
Issuance of capital stock	38,975,000	103,000
Long term borrowings – net	32,541,000	–
	$84,764,000	$30,998,000
FUNDS WERE USED FOR		
Property, plant and equipment	$38,887,000	$18,514,000
Repayment of long term debt	7,624,000	6,129,000
Dividends	3,501,000	2,875,000
Investments		
Atlantic Richfield Company	10,835,000	39,183,000
Sinclair Oil Corporation	–	2,789,000
Other investments	558,000	294,000
	61,405,000	69,784,000
INCREASE (DECREASE) IN WORKING CAPITAL	23,359,000	(38,786,000)
	$84,764,000	$30,998,000

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED BALANCE SHEET as at Decen

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	$ 5,830,000	$ 4,901,000
Accounts receivable	8,812,000	7,448,000
Inventory of liquefied petroleum gas at lower of cost and realizable value	837,000	1,018,000
	15,479,000	13,367,000
INVESTMENTS, at cost		
Quoted securities (Note 2)	100,043,000	89,444,000
Unquoted securities	169,000	919,000
Affiliated companies	3,270,000	3,060,000
	103,482,000	93,423,000
PROPERTY, PLANT AND EQUIPMENT, at cost (Notes 1 and 7)	216,173,000	177,637,000
Accumulated depletion and depreciation	61,717,000	56,956,000
	154,456,000	120,681,000
OTHER ASSETS AND DEFERRED CHARGES		
Unamortized debt financing expense	261,000	312,000
Miscellaneous	663,000	578,000
	924,000	890,000
	$274,341,000	$228,361,000

Approved on behalf of the Board:

R. A. Brown Jr. Director

Robert W. Campbell Director

The accompanying notes are an i

er 31, 1969

LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Bank indebtedness (Note 2)	$ 21,364,000	$ 44,064,000
Accounts payable and accrued charges	7,293,000	6,461,000
Dividends payable	1,751,000	1,980,000
Current maturities on long term debt	4,027,000	3,177,000
	34,435,000	55,682,000
LONG TERM DEBT (Notes 2 and 8)	89,009,000	64,092,000
DEFERRED INCOME TAXES (Note 4)	23,086,000	20,801,000

SHAREHOLDERS' EQUITY

	1969	1968
CAPITAL STOCK (Note 3)		
Authorized		
1,000,000 Preferred shares, par value $50 each		
7,000,000 Class A shares of no par value		
5,000,000 Class B shares of no par value		
Issued		
(including shares held by subsidiary companies – see below)		
4,706,194 Class A shares (1968 – 3,806,194)	82,245,000	43,270,000
2,571,405 Class B shares (1968 – 2,571,405)	14,468,000	14,468,000
	96,713,000	57,738,000
RETAINED EARNINGS	34,079,000	33,028,000
	130,792,000	90,766,000
Less – cost of 275,506 Class B shares held by subsidiary companies	2,981,000	2,980,000
	127,811,000	87,786,000
	$274,341,000	$228,361,000

al part of this financial statement.

Consolidated Statement of Earnings

For the year ended December 31, 1969

	1969	1968
REVENUE		
Operating revenue	$23,523,000	$21,678,000
Interest and dividends	4,201,000	3,727,000
	27,724,000	25,405,000
EXPENSE		
Operating	3,610,000	3,634,000
General and administrative	4,019,000	3,975,000
Depletion	3,209,000	3,147,000
Depreciation	1,818,000	1,546,000
Interest and expense on long term debt	5,872,000	5,178,000
Other interest	1,893,000	1,089,000
	20,421,000	18,569,000
Net earnings before deferred income taxes	7,303,000	6,836,000
DEFERRED INCOME TAXES	2,285,000	2,383,000
NET EARNINGS before extraordinary item	5,018,000	4,453,000
EXTRAORDINARY ITEM		
Gain (loss) on sale of investments – net (Note 2)	(466,000)	6,343,000
NET EARNINGS	$ 4,552,000	$10,796,000
EARNINGS PER SHARE		
(Based on average number of shares outstanding)		
Net earnings before extraordinary item	$ .73	$ .83
Extraordinary item	(.07)	1.18
Net earnings	$ .66	$2.01

The accompanying notes are an integral part of this financial statement.

Consolidated Statement of Retained Earnings

For the year ended December 31, 1969

	1969	1968
BALANCE at beginning of year	$33,028,000	$25,107,000
Net earnings	4,552,000	10,796,000
	37,580,000	35,903,000
Dividends declared		
Class A shares	2,353,000	1,728,000
Class B shares	1,148,000	1,147,000
	3,501,000	2,875,000
BALANCE at end of year	$34,079,000	$33,028,000

The accompanying notes are an integral part of this financial statement.

Notes to Consolidated Financial Statements as at December 31, 1969

1. ACCOUNTING POLICIES

(i) Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company has ownership of more than 50% of the voting capital stock. These include the following wholly owned subsidiaries: Home Oil Company of Canada, Home Oil of Canada Limited, Home Pipe Line Company, Union Petroleum Corporation and its wholly owned subsidiaries Can-Am Liquids Co., Ltd. and Can-Am Transportation Inc., and the following substantially owned subsidiaries: Coastal Oils Limited, Foothills Oil and Gas Company, Limited, and United Oils, Limited and its wholly owned subsidiary, Madison Oils Inc.

Current assets and current liabilities of foreign subsidiaries were converted to Canadian dollars using the exchange rate at the date of the balance sheet. Fixed assets were converted at the rate in effect at the time the assets were acquired, except for assets held by Home Oil of Canada Limited (a United Kingdom subsidiary) which were converted at the rate of exchange resulting from the devaluation of the pound sterling in 1967. Revenue and expense items were converted using the average rate of exchange for the year.

(ii) Full Cost Method of Accounting

The Company and its subsidiaries follow the full cost method of accounting whereby all costs of exploring for and developing oil, gas and related reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. Except for expenditures incurred on the North Slope of Alaska, costs associated with operations in North America are depleted using the unit of production method based upon estimated recoverable North American reserves as determined by Company engineers. Costs associated with exploration in the United Kingdom including all overhead expense incurred prior to the commencement of production, will be depleted based upon reserves discovered in the United Kingdom.

Because of the extraordinary nature of the Company's North Slope operations requiring substantial sums to be spent over an extended period on exploration activities to properly evaluate its holdings, the Company considers it inappropriate to include the related land acquisition and exploration costs in the depletion base for the current year. As soon as the results of these exploration activities can be properly assessed all accumulated North Slope expenditures will be added to the Company's other North American exploration and development costs. Depletion will then be determined on the basis of total North American mineral reserves including any discovered on the North Slope.

(iii) Depreciation

Depreciation of plant and equipment applied on the straight line method, is based upon the estimated service life of each group of assets.

2. INVESTMENTS

Details of quoted securities are as follows:

	Number of Shares	Book Value	Quoted Market Value December 31, 1969
Atlantic Richfield Company			
– Common shares	422,936	$ 49,320,000	$ 39,088,000
– $2.80 Convertible preferred shares	53,440	3,487,000	3,398,000
Trans-Canada Pipe Lines Limited			
– Common shares	1,300,000	32,955,000	42,900,000
Calgary Power Ltd.			
– Common shares	526,875	12,942,000	12,118,000
Other	–	1,339,000	3,901,000
		$100,043,000	$101,405,000

All investments are recorded in the books of the Company at cost with the exception of the investment in Calgary Power Ltd. which has been adjusted to reflect a loss of $574,000 sustained on the sale of 175,000 common shares on January 29, 1970. This loss has been charged against earnings in 1969 as an extraordinary item.

The quoted market value of the above investments has declined substantially since December 31, 1969.

All of the above investments are pledged to secure certain long term debt and to fully secure the Company's bank borrowings.

3. CAPITAL STOCK

(i) Dividends

There are restrictions on the payment of dividends on the Class B shares and of dividends in excess of 25c per annum on the Class A shares under the provisions of the deeds of trust and mortgage securing certain of the outstanding long term debt. Under the most restrictive provision, the amount permitted thereunder for payment of dividends was in excess of the retained earnings as at December 31, 1969.

(ii) Shares Reserved for Exercise of Warrants

There were 109,965 Class A shares reserved at December 31, 1969 for issuance upon the exercise, on or before July 1, 1976, of warrants to purchase 76,975 shares at $14.55 U.S. per share and 32,990 shares at $17.66 U.S. per share.

(iii) Options to Purchase Capital Stock

As at December 31, 1969 the following options to purchase shares of the Company's capital stock were outstanding. All of these options were held by officers of the Company.

	Number Issued	Option Price	Market Value on Issue Date
Class A shares	70,000	$39.00-$42.00	$39.00
Class B shares	1,500	$18.875	$18.875

During 1969 no options on either Class A or Class B shares were terminated or exercised.

All options on Class A shares were issued under the Officers' and Key Employees' Share Option Plan which became effective March 1, 1969 and will terminate on February 28, 1979. Pursuant to the terms of the Plan the Company has reserved 250,000 Class A shares for issuance on the exercise of stock options.

All options on Class B shares were issued under an earlier Incentive Share Option Plan which was terminated during 1969.

(iv) Shares Issued During the Year

During 1969, the Company issued 900,000 Class A shares for a net consideration of $38,975,000.

4. INCOME TAXES

It is the policy of the companies to make charges against earnings for depreciation of plant and equipment based upon the estimated service life of each group of assets, and to amortize the cost of exploring for and developing oil, gas and related reserves using the unit of production method. The companies, however, claim the maximum capital cost allowances and exploration and development costs allowed in calculating income taxes payable. In 1969, the amounts claimed for income tax purposes exceeded the provisions for depreciation and depletion charged against earnings and as a result there were no income taxes payable. The income taxes deferred have been charged to earnings and credited to "Deferred Income Taxes."

5. CONTINGENT LIABILITIES AND COMMITMENTS

The Company is committed to participate to the extent of 2% in the Trans Alaska Pipeline System planned for completion in 1972. The Company's share of the initial cost of this project is presently estimated at $26,000,000 U.S.

The Company has entered into a farmout agreement with Atlantic Richfield Company wherein it may earn 50% of that company's interests in certain petroleum and natural gas properties in Alaska. As at December 31, 1969 the Company had fulfilled its commitment under stage one of the agreement however, if an interest in the lands is to be earned, the Company must continue with stage two and spend a further $10,200,000 U.S. The Company is now entitled to withdraw from the project at any time up to the final election date of November 1, 1970.

In addition, the Company has guaranteed the indebtedness and certain other obligations of affiliated companies to the extent of approximately $10,000,000.

6. EXECUTIVE REMUNERATION

Remuneration paid by the Company and its subsidiaries to the Company's directors, including directors holding salaried employment as officers, totalled $263,000 in 1969. Remuneration paid to other senior officers totalled $255,000.

7. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the cost of property, plant and equipment and the related accumulated depletion and depreciation as at December 31, 1969:

	Cost of Assets	Accumulated Depletion* and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development (Note 1)			
– North America (excluding North Slope, Alaska)	$132,987,000	$48,303,000*	$ 84,684,000
– North Slope, Alaska	32,285,000	–	32,285,000
– United Kingdom	5,682,000	–	5,682,000
Production equipment	23,848,000	7,908,000	15,940,000
Land, buildings, pipeline property and other equipment	21,371,000	5,506,000	15,865,000
	$216,173,000	$61,717,000	$154,456,000

8. LONG TERM DEBT

	December 31, 1969	1968
HOME OIL COMPANY LIMITED		
5½% Secured Notes, due September 1, 1971, Series B ($1,139,000 U.S.) (subject to annual sinking fund payments)	$ 1,142,000	$ 1,524,000
6½% Secured Bonds, due January 31, 1975 ($4,800,000 U.S.)*	4,566,000	5,374,000
6⅛% Secured Bonds, Series A, due July 1, 1976 ($5,467,000 U.S.)*	5,688,000	7,960,000
5⅞% Secured Bonds, Series B, due February 1, 1981 ($18,420,000 U.S.)*	19,785,000	20,387,000
6⅞% Secured Bonds, due January 1, 1983 ($7,000,000 U.S.)*	7,560,000	7,562,000
6¼% Collateral Trust Bonds, due April 1, 1983 (subject to annual sinking fund payments)	14,000,000	15,000,000
6¾% Mortgage, maturing January 1, 1978 (payable in monthly installments)	985,000	1,075,000
Bank Loan, (currently 9½%) due September 7, 1973 (DM100,000,000)	29,500,000	–
UNITED OILS, LIMITED		
6⅛% Secured Bonds, Series A, due July 1, 1976 ($2,086,000 U.S.)*	2,251,000	3,196,000
5⅞% Secured Bonds, Series B, due January 1, 1981 ($4,692,000 U.S.)*	5,039,000	5,191,000
UNION PETROLEUM CORPORATION		
8¾% Note payable, due March 30, 1971 ($2,150,000 U.S.)	2,312,000	–
Other ($194,000 U.S.)	208,000	–
	93,036,000	67,269,000
Less current minimum maturities	4,027,000	3,177,000
	$89,009,000	$64,092,000

*Subject to monthly payments based on production from pledged properties.

All U.S. issues were recorded on the balance sheet in Canadian dollars based on the exchange rate in effect at the date of receipt of the proceeds, with the exception of the 6⅛% Secured Bonds, Series A, issued by United, which are stated at the rate of exchange in effect as at the date of acquisition of control of United.

The Bank Loan has been recorded on the balance sheet at the rate of exchange following the recent revaluation of the Deutsche Mark. The loan is due September 7, 1973 but can be repaid prior to that date without penalty and bears interest at 3½% above the German Bundesbank rate which is currently 6%.

The estimated minimum amount of long term debt maturities and sinking fund requirements for the four years subsequent to 1970 are as follows: 1971 – $7.1 million, 1972 – $4.5 million, 1973 – $34.7 million (including repayment of Bank Loan DM100,000,000), 1974 – $6.7 million. Historically, required payments based on production from pledged properties have been substantially in excess of the minimum amounts.

Atlantic Richfield Company

Home Oil Company Limited currently owns 422,936 common shares and 53,440, $2.80 Cumulative Convertible Preferred shares of Atlantic Richfield Company. Atlantic Richfield is a major petroleum company with assets exceeding $4 billion. It ranks among the top twenty industrial corporations and in the top ten petroleum companies in the United States.

Atlantic Richfield was one of the companies which discovered the spectacular Prudhoe Bay oil field which set off the great Alaska oil boom of 1969. Estimates of total Alaska oil reserves now exceed 50 billion barrels and Atlantic Richfield is playing a major part in efforts now underway to move Alaskan crude to market.

Another significant feature of the Alaskan frontier is that vast quantities of natural gas are being confirmed. Studies are underway to determine the feasibility of bringing this gas to mid-continent markets as early as 1975.

The company reports that its net income from operations rose 12 per cent for the full year 1969 to $230,099,000 or $4.15 per share, from $205,816,000 or $3.83 per share in 1968. The 1969 per share figures are based on a greater number of shares outstanding than in 1968 and assume conversion of all outstanding convertible securities.

Sales and operating revenues for the fourth quarter were $771,313,000, compared with $728,943,000 for the prior year; for all of 1969, they totalled $3,162,-385,000 against $2,799,186,000 in 1968.

Domestic refined petroleum product sales for the fourth quarter totalled an average 820,500 barrels daily – up 12 per cent; for the full year, sales of these products rose 14 per cent to an average 784,500 barrels a day.

Natural gas sales for the year rose five per cent to 1,977 million cubic feet daily. Chemical sales for the year averaged 4,900 tons daily versus 5,300 tons in 1968.

Atlantic Richfield, in association with other major companies is participating in the planning and construction of the Trans Alaska Pipeline System to move crude oil from the North Slope to Valdez on the Gulf of Alaska. The initial cost of the project is presently estimated at $1,300,000,000 (U.S.). Completion is currently scheduled for mid 1972, with initial planned capacity of 500,000 barrels per day. The system is capable of being expanded to 2,000,000 barrels per day.

Trans-Canada Pipe Lines Limited

At the year end, the Company's interest in Trans-Canada Pipe Lines Limited stood at 1,300,000 common shares, representing 15.7% of the shares outstanding. Although sales of natural gas increased approximately 20% over 1968, the net income of the Company was less than might have been expected for a number of reasons. These included increased cost of interest on large short-term borrowings, an increase in the rate of return granted to the Alberta Gas Trunk Line system for gathering gas, and reduced throughput in the Great Lakes Pipeline Transmission Company, caused by start-up problems.

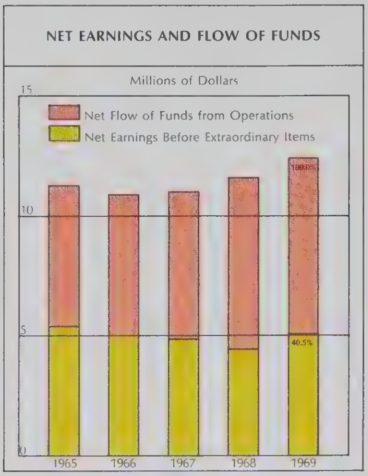
The 1969 earnings per share were $1.12 compared with $1.53 for 1968. Operating revenues were $232,405,000 compared with $195,659,000 the previous year. Net income before provision for dividends on preferred shares dropped to $14,866,000 from $17,274,000 in 1968. The net income available for common shares was $9,271,000 down from $12,626,000 a year earlier.

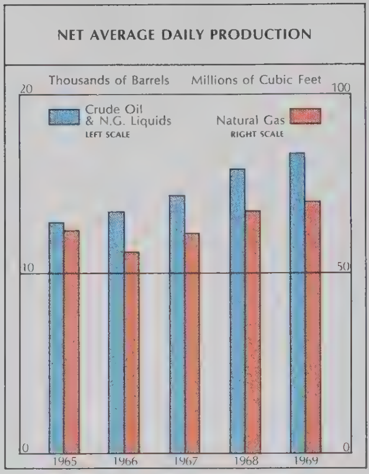
Average daily throughput increased substantially late in December exceeding 2 billion cubic feet per day. The total volume of gas sold in 1969 was 605 billion cubic feet up from 516 billion cubic feet the previous year.

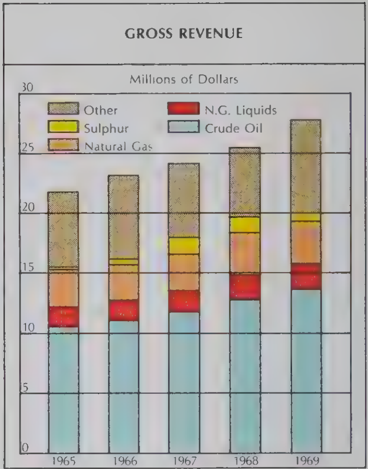
Major construction and maintenance programs continued through 1969 with 213 miles of 36 inch loop-line being added to the gas transmission system in Saskatchewan and Manitoba. An important part of the 1969 construction program involved sandblasting and upgrading 1,350 miles of pipeline, the cost of which was charged to net income in the year. To obtain the same additional throughput, the equivalent investment in new pipeline would have been approximately $44,000,000. The cost of the upgrading program was substantially less. The total expansion program was completed at a cost of $72,982,000.

In December, 1969, Trans-Canada Pipe Lines received an addition to its permit from Alberta to remove a further 2.3 trillion cubic feet of natural gas, extending the total volume in the Alberta permit to 21.4 trillion cubic feet. The Company has applied to remove another .960 trillion cubic feet from Alberta.

The gas supply position of Trans-Canada Pipe Lines in relation to its increased sales, continues to be strong. Due to serious competition for gas by U.S. based companies, there was a substantially increased field price for gas in 1969.







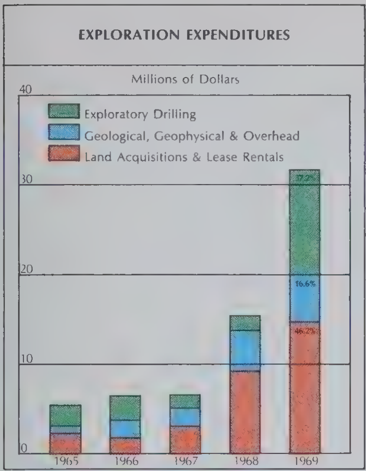
Exploration Acreage - January 1, 1970

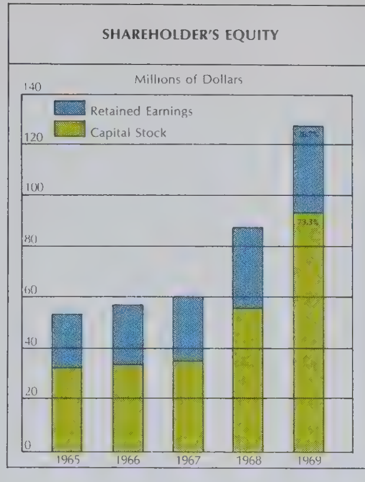
Area	Petroleum & Natural Gas Leases		Reservation, Permits & Licences		Totals	
	Gross	Net	Gross	Net	Gross	Net
Alaska	1,039,293	701,990	–	–	1,039,293	701,990
Alberta	2,625,336	1,262,128	934,963	526,135	3,560,299	1,788,263
British Columbia	39,025	13,692	320,374	191,854	359,399	205,546
Northwest Territories	–	–	1,149,399	511,958	1,149,399	511,958
Ontario	44,599	11,727	20,450	10,225	65,049	21,952
Saskatchewan	380,978	152,561	134,880	104,160	515,858	256,721
United Kingdom	–	–	1,679,872	839,936	1,679,872	839,936
Wyoming	640	640	–	–	640	640
Yukon	–	–	806,040	250,379	806,040	250,379
TOTAL	4,129,871	2,142,738	5,045,978	2,434,647	9,175,849	4,577,385

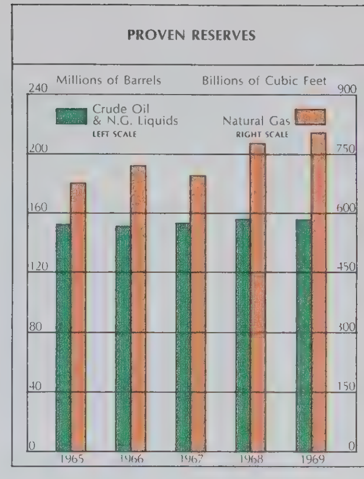
Reserves - January 1, 1970

(Net after deduction of royalties)

Category	Crude Oil (barrels)	Natural Gas Liquids (barrels)	Natural Gas (1,000 cu. ft.)	Sulphur (long tons)
Proven				
Developed	137,711,400	17,874,800	788,257,800	1,454,500
Undeveloped	59,300	–	21,013,600	–
	137,770,700	17,874,800	809,271,400	1,454,500
Probable Additional				
Secondary	71,460,900	80,100	15,430,900	–
Areal	263,000	–	40,490,000	–
	71,723,900	80,100	55,920,900	–
TOTAL	209,494,600	17,954,900	865,192,300	1,454,500







Sources of Production

Net Wells December 31 1969	Producing Field	1969	1968	1967	1966	1965
	CRUDE OIL – barrels					
75.08	Swan Hills	2,427,584	2,348,800	1,998,839	1,782,699	1,665,081
54.35	Pembina	553,598	503,138	457,138	456,209	481,731
12.83	Virginia Hills	441,368	376,543	387,458	395,857	350,084
14.49	Mitsue-Saulteaux	549,163	338,560	305,297	284,113	206,178
107.60	Turner Valley	316,674	313,902	311,963	337,751	357,980
15.80	Harmattan-Elkton	248,452	253,586	270,024	263,957	253,156
32.47	Leduc-Woodbend	185,846	233,793	251,048	253,183	289,200
46.38	Others	350,235	432,871	440,366	405,702	398,187
359.00	Total Crude Oil	5,072,920	4,801,193	4,422,133	4,179,471	4,001,597
	Daily Average	13,898	13,118	12,115	11,451	10,963
	NATURAL GAS LIQUIDS – barrels					
–	Carstairs-Elkton	521,951	514,550	387,382	303,089	352,684
2.51	Harmattan	230,267	206,206	188,046	198,791	169,132
–	Nevis	62,427	65,884	61,158	54,368	54,050
–	Calgary	65,389	61,789	53,614	67,878	34,078
–	Others	130,279	117,297	104,091	87,186	63,983
2.51	Total Natural Gas Liquids	1,010,313	965,726	794,291	711,312	673,927
	Daily Average	2,768	2,639	2,176	1,949	1,846
	Total Crude Oil and Natural Gas Liquids	6,083,233	5,766,919	5,216,424	4,890,783	4,675,524
	Daily Average	16,666	15,757	14,291	13,400	12,809
	NATURAL GAS – thousands of cubic feet					
3.85	Carstairs-Elkton	10,752,025	9,321,641	8,668,788	9,269,126	10,912,021
3.26	Nevis	4,035,372	3,684,793	3,976,057	3,351,456	3,461,556
–	Jumping Pound	1,366,668	1,209,256	1,100,354	465,686	587,474
.76	Calgary	1,779,762	1,756,112	1,367,066	1,679,361	1,525,560
10.28	Turner Valley	1,549,785	1,529,102	1,434,901	863,453	1,184,000
.32	Sarcee	844,526	1,019,135	1,024,733	1,072,345	989,878
–	Swan Hills	958,204	969,602	894,799	738,070	472,724
.62	Crossfield	866,973	618,356	578,217	409,364	376,480
2.97	Retlaw	427,633	557,233	512,309	492,531	425,919
1.59	Harmattan-Leduc	487,502	544,716	447,422	20,682	–
.40	South Elkton	383,851	418,647	393,703	415,636	139,615
1.95	Pendor	340,265	403,520	294,253	569,152	603,662
10.09	Others	1,737,258	1,626,472	1,584,355	1,374,240	1,886,492
36.09	Total Natural Gas	25,529,824	23,658,585	22,276,957	20,721,102	22,565,381
	Daily Average	69,945	64,641	61,033	56,770	61,823

A TEN YEAR REVIEW

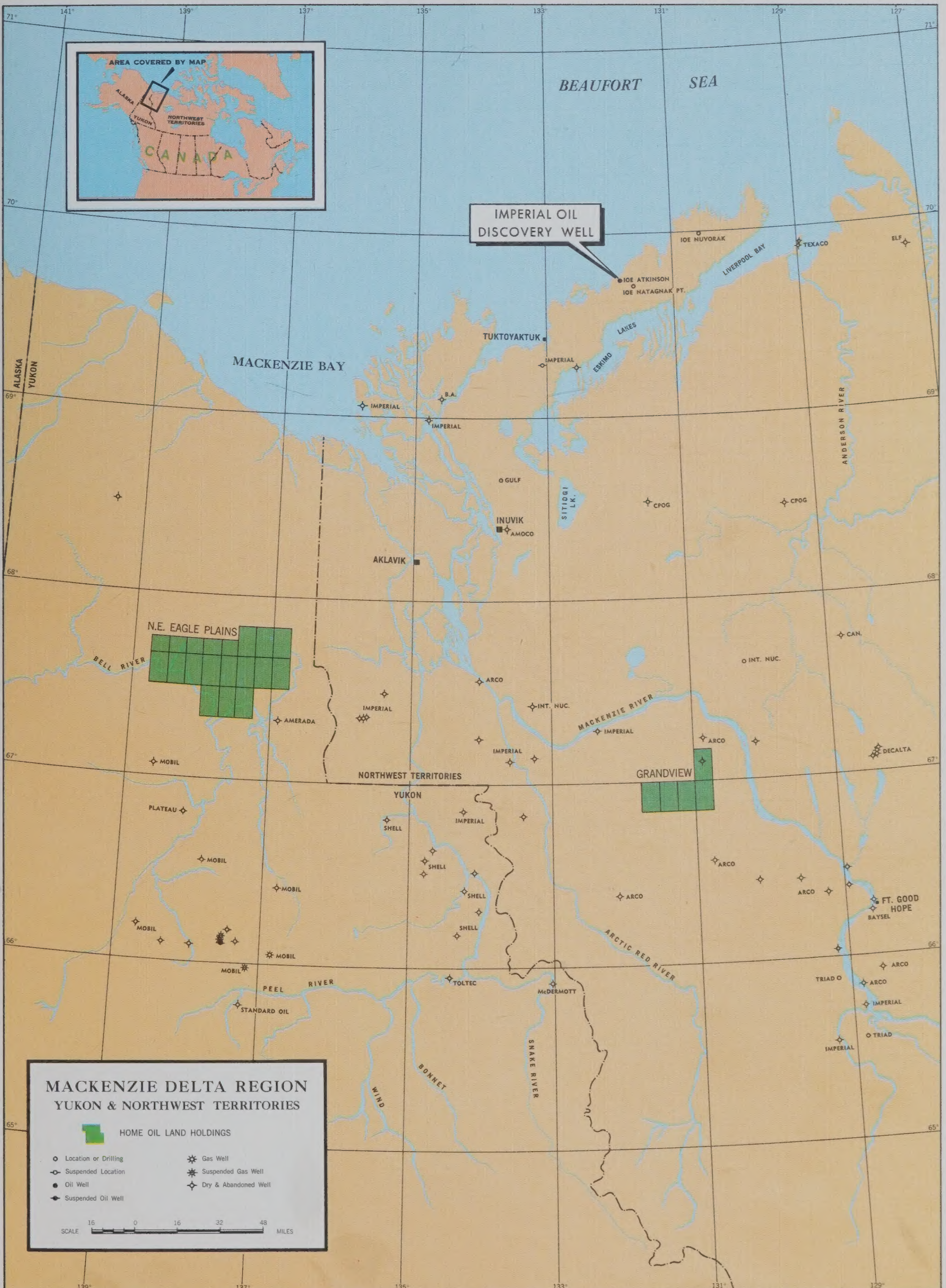
	1969	1968	1967
Financial			
Gross Revenue	$ 27,724,000	25,405,000	24,158,000
Earnings (Note 1)			
Net Earnings before Extraordinary Items	$ 5,018,000	4,453,000	4,923,000
Per Share	$ .73	.83	.97
Extraordinary Items	$ (466,000)	6,343,000	261,000
Per Share	$ (.07)	1.18	.05
Net Flow of Funds from Operations	$ 12,390,000	11,610,000	11,130,000
Per Share	$ 1.81	2.16	2.20
Financial Position			
Working Capital (Deficiency)	$ (18,956,000)	(42,315,000)	(3,529,000)
Investment in Other Companies, at cost	$103,482,000	93,423,000	64,117,000
Property, Plant and Equipment – Net	$154,456,000	120,681,000	106,798,000
Long Term Debt (Less Current Maturities)	$ 89,009,000	64,092,000	90,333,000
Deferred Income Taxes	$ 23,086,000	20,801,000	18,415,000
Capital Stock	$ 93,732,000	54,758,000	35,092,000
Retained Earnings	$ 34,079,000	33,028,000	25,107,000
Cost of Finding and Developing Reserves			
Exploration Expenditures	$ 31,564,000	15,282,000	6,597,000
Development Expenditures	$ 4,513,000	1,883,000	2,723,000
Dividends Declared Per Share			
Class A Shares	$ .50	.50	.50
Class B Shares	$ .50	.50	.50
Number of Shares Outstanding – End of Year	7,002,000	6,102,000	5,091,000
Number of Shareholders	12,600	13,200	13,000
Operating			
Production and Sales			
Crude Oil and Natural Gas Liquids			
Production – barrels per day	16,666	15,757	14,291
Natural Gas Sales – thousand cubic feet per day	69,945	64,641	61,033
Sulphur Sales – long tons	31,947	38,182	42,182
Proven Developed Reserves			
Crude Oil and Natural Gas Liquids –barrels	155,586,000	156,923,000	152,885,000
Natural Gas – thousand cubic feet	788,258,000	779,859,000	698,697,000
Sulphur – long tons (* not available)	1,454,000	1,493,000	1,636,000
Drilling Activity – Working Interest Wells			
Gross Wells Drilled	38	39	49
Net Oil Wells	1	0	8
Net Gas Wells	4	4	3
Net Dry Wells	11	15	13
Exploration Acreage			
Gross Acres	9,176,000	8,319,000	6,872,000
Net Acres	4,577,000	4,640,000	3,701,000
Daily Average Pipeline Gatherings			
Cremona Pipe Line Division (wholly owned)	38,267	39,268	37,193
Federated Pipe Lines Ltd. (50% owned)	160,408	156,001	140,235

Note 1 – Earnings per share calculated on basis of average number of shares outstanding during the year.

1966	1965	1964	1963	1962	1961	1960
23,109,000	21,827,000	19,445,000	14,412,000	13,140,000	11,555,000	9,282,000
5,030,000	5,390,000	4,147,000	2,188,000	1,374,000	1,174,000	33,000
1.01	1.10	.87	.50	.30	.26	.01
–	516,000	1,012,000	1,034,000	–	–	2,690,000
–	.11	.21	.24	–	–	.59
10,880,000	11,273,000	9,718,000	6,941,000	5,399,000	4,631,000	3,290,000
2.18	2.30	2.04	1.60	1.19	1.02	.72
4,764,000	(6,873,000)	3,659,000	(1,001,000)	(3,317,000)	1,281,000	(9,454,000)
51,833,000	50,128,000	36,331,000	33,887,000	41,169,000	40,614,000	39,763,000
01,401,000	92,204,000	85,716,000	64,559,000	60,744,000	58,326,000	54,936,000
36,624,000	69,941,000	67,287,000	47,069,000	52,430,000	55,943,000	42,315,000
16,309,000	14,269,000	11,797,000	9,339,000	7,956,000	7,150,000	6,461,000
34,352,000	32,962,000	32,186,000	29,796,000	24,854,000	24,820,000	24,818,000
22,404,000	19,833,000	16,344,000	12,493,000	15,174,000	14,314,000	13,654,000
6,387,000	5,296,000	3,495,000	2,933,000	2,045,000	2,165,000	2,570,000
4,032,000	2,876,000	3,259,000	3,528,000	2,226,000	2,618,000	4,713,000
.50	.50	.35	.25	.25	.25	.25
.50	.50	.35	.25	–	–	–
5,046,000	4,936,000	4,842,000	4,565,000	4,548,000	4,542,000	4,542,000
13,700	13,900	12,800	12,800	13,000	13,000	13,030

13,400	12,809	11,623	10,042	9,402	8,908	7,849
56,770	61,823	59,269	52,497	43,136	36,073	30,697
20,343	14,714	19,913	6,569	4,392	3,555	–
51,625,000	152,489,000	114,937,000	84,419,000	71,725,000	73,196,000	66,820,000
21,606,000	677,001,000	601,833,000	555,300,000	506,660,000	497,713,000	459,271,000
1,241,000	*	*	*	*	*	*
54	78	52	68	65	78	98
3	11	16	8	9	11	19
6	3	1	3	2	1	2
11	21	8	9	10	11	7
6,236,000	5,762,000	5,759,000	4,712,000	3,561,000	3,609,000	3,791,000
3,118,000	2,382,000	2,035,000	1,408,000	1,007,000	1,055,000	1,189,000
36,265	36,348	33,496	31,862	29,260	17,597	10,850
128,462	110,719	82,252	67,727	58,918	42,257	19,654


ARCTIC OCEAN
AREA COVERED BY MAP
ALASKA
CANADA
BEAUFORT SEA
CAPE HALKETT
HARRISON BAY
TESHEKPUK LAKE
ATLANTIC-HUMBLE DISCOVERY WELLS
PRUDHOE BAY
CAMDEN BAY
TRACT 073
NAVAL PETROLEUM RESERVE No. 4
BUSH FEDERAL No. 1
NORA FEDERAL No. 1
SAGAVAN DEVELOPMENT CONTRACT AREA
UMIAT FIELD (OIL)
GUBIK FIELD (GAS)
ALASKA-McCULLOCH
ARCO TOOLIK 3
AMOCO KAVIK
ROUTE OF PROPOSED TRANS ALASKA PIPELINE
WELL LEGEND
Locations or Drilling
Oil Wells
Dry and Abandoned
Gas Wells
MAP OF NORTH SLOPE
- ALASKA -
HOME 100% OWNED LANDS
Leases
Priority Applications for Leases
HOME ARCO FARMOUT LANDS
50% After Interest Earned
Priority Applications for Leases
25% After Interest Earned
Tract 073 (Home-Hamilton et al)
SCALE
IN STATUTE MILES


MACKENZIE DELTA REGION
YUKON & NORTHWEST TERRITORIES
HOME OIL LAND HOLDINGS
Location or Drilling
Suspended Location
Oil Well
Suspended Oil Well
Gas Well
Suspended Gas Well
Dry & Abandoned Well
SCALE 16 0 16 32 48 MILES
AREA COVERED BY MAP
ALASKA
YUKON
NORTHWEST TERRITORIES
CANADA
BEAUFORT SEA
IMPERIAL OIL DISCOVERY WELL
IOE ATKINSON
IOE NATAGNAK PT.
IOE NUVORAK
TEXACO
ELF
LIVERPOOL BAY
ESKIMO LAKES
TUKTOYAKTUK
MACKENZIE BAY
IMPERIAL
B.A.
GULF
SITIDGI LK.
CPOG
INUVIK
AMOCO
AKLAVIK
ANDERSON RIVER
N.E. EAGLE PLAINS
BELL RIVER
AMERADA
ARCO
INT. NUC.
MACKENZIE RIVER
CAN.
DECALTA
GRANDVIEW
NORTHWEST TERRITORIES
YUKON
MOBIL
PLATEAU
SHELL
FT. GOOD HOPE
BAYSEL
ARCTIC RED RIVER
PEEL RIVER
TOLTEC
McDERMOTT
STANDARD OIL
TRIAD
SNAKE RIVER
BONNET
WIND
ALASKA YUKON

ALCRAFT • CA
LITHOGRAPHED IN C